

MINUTE ITEM

6. (RENEWAL OF AGREEMENT FOR EASEMENT 401.1, MONTEREY OIL COMPANY AND SUNILAND OIL CORPORATION, HUNTINGTON BEACH, ORANGE COUNTY - W. O. 3037.)

After presentation of Calendar Item 15 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXECUTE AND ISSUE A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT 401.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE JOINT LESSEES, MONTEREY OIL COMPANY AND SUNILAND OIL CORPORATION, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS OIL OR GAS IS PRODUCED IN PAYING QUANTITIES OR LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND. THE NEW LEASE IS TO BE ISSUED AT THE SAME ROYALTY AND UPON THE SAME TERMS AND CONDITIONS AS EASEMENT 401.1 FOR WHICH IT IS TO BE EXCHANGED.

Attachment

Calendar Item 15 (1 page)

CALENDAR ITEM

OIL & GAS

15.

(RENEWAL OF AGREEMENT FOR EASEMENT 401.1, MONTEREY OIL COMPANY AND SUNILAND OIL CORPORATION, HUNTINGTON BEACH, ORANGE COUNTY - W. O. 3037.)

Agreement for Easement 401.1 was issued November 7, 1934, to the Wilshire Oil Company, Inc. for a period of 20 years. Monterey Oil Company and Suniland Oil Corporation heretofore acquired and are now joint lessees under Agreement for Easement 401.1.

The agreement providing for the drilling of one well to the specified location in submerged lands of the State was issued for an original term of 20 years, with the option to the grantee to continue the term of the agreement for so long as oil or gas is produced from the well. The joint operators have exercised this option and have requested the issuance of a new lease in accordance with Section 6827 of the Public Resources Code, which states in part: "...the commission may issue a new lease in exchange for any lease issued for a term of 20 years, or any renewal or extension thereof; such new lease shall be issued at the same royalty and upon the same terms and conditions as the lease for which it is exchanged, unless the commission and lessee shall otherwise agree, except that the term of such exchange lease shall be for a term of five years and for so long thereafter as oil or gas is produced in paying quantities, or lessee shall be conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations on the leased land." One well drilled under this agreement has been producing and is now producing at an average rate of 95 barrels of oil per day.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT 401.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE JOINT LESSEES, MONTEREY OIL COMPANY AND SUNILAND OIL CORPORATION, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS OIL OR GAS IS PRODUCED IN PAYING QUANTITIES OR LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND. THE NEW LEASE IS TO BE ISSUED AT THE SAME ROYALTY AND UPON THE SAME TERMS AND CONDITIONS AS EASEMENT NO. 401.1 FOR WHICH IT IS TO BE EXCHANGED.